

FINANCE

**Agreement Between the
UNITED STATES OF AMERICA
and MEXICO**

Signed at Washington and Mexico
March 23, 1990

with

Memorandum of Understanding



NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89—497, approved July 8, 1966
(80 Stat. 271; 1 U.S.C. 113)—

“ . . .the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

MEXICO

Finance

*Agreement signed at Washington and Mexico
March 23, 1990;
Entered into force March 23, 1990.
With memorandum of understanding.*

**SWAP AGREEMENT
AMONG THE UNITED STATES TREASURY, THE BANCO
DE MEXICO, AND THE GOVERNMENT OF
THE UNITED MEXICAN STATES**

I. To provide the United Mexican States with near-term support for its international reserves, the United States Department of the Treasury (the "Treasury") and the Federal Reserve System (collectively the "United States Monetary Authorities") are prepared to provide a short-term credit facility to the Banco de Mexico (the "Bank") in a total amount of up to one billion, three hundred million United States dollars (U.S.\$1,300,000,000), the share of the Treasury being an amount of up to six hundred million United States dollars (U.S.\$600,000,000).

II. The United States Treasury Exchange Stabilization Fund, with the Federal Reserve Bank of New York (the "FRBNY") acting as fiscal agent, hereby agrees to extend to the Bank, with the Government of the United Mexican States as guarantor of the Bank, a drawing facility aggregating not more than six hundred million United States dollars (U.S.\$600,000,000), on a covered basis in the form of a Mexican pesos/United States dollars swap. This facility will be available for a single drawing on two business days' notice (New York) to the FRBNY in a form satisfactory to the FRBNY. The amount drawn under this agreement, together with interest accrued thereon, shall be liquidated not later than September 14, 1990. This agreement will become effective upon signature by the three parties, and is subject to, and incorporates by reference, the terms set forth in the Memorandum of Understanding among the United States Monetary Authorities and the Banco de Mexico, of March 22, 1990 (the "Memorandum of Understanding").

III. The drawing under this agreement may be used to facilitate the execution of transactions to forestall or counter disorderly financial market conditions. The rate of exchange applied to the drawing under this agreement shall be applied to its liquidation. This rate shall be based upon the spot rate as agreed between the parties at the time the drawing is made.

IV.A. The proceeds of the drawing under this agreement will be employed as follows:

(i) Pursuant to paragraph 6 of the Memorandum of Understanding, an amount up to six hundred million United States dollars (U.S.\$600,000,000) shall be credited to the General Account at the FRBNY in the name of "Banco de Mexico" (the "General Account") by authenticated telecommunication. This amount may be reduced in accordance with paragraph 5 of the Memorandum of Understanding.

(ii) In accordance with paragraph 6 and subject to any reductions pursuant to paragraph 5 of the Memorandum of Understanding, from the amount set forth in subparagraph (i) above, an amount of up to two hundred and fifty-three million, eight hundred and forty-six thousand, one hundred and fifty-four dollars (U.S.\$253,846,154) shall be immediately invested by the FRBNY in a non-transferable United States Treasury Certificate of Indebtedness ("Certificate A"), which the Secretary of the Treasury is prepared to issue to the Bank, at par, to mature September 14, 1990. Certificate A will be issued and redeemed at the FRBNY, and will be held in the Bank's general securities custody account (the "Custody Account"). Certificate A shall be redeemable in whole or in part, in accordance with paragraphs 6 and 8 of the Memorandum of Understanding, and will bear interest at a rate based upon the average equivalent coupon-issue yield at the auction of the latest issue of three-month United States Treasury bills preceding the date of issuance of Certificate A. The average yield, expressed in percent, for Certificate A will be stated in two decimal places, and, if such decimal is not a multiple of .05, it will be adjusted to the next higher multiple of .05 (the "Adjusted Yield"). Interest will be calculated on the actual number of days in the year, i.e., 365 days. Certificate A will be one of the Certificates of Indebtedness as referred to and as defined in paragraph 6(i) of the Memorandum of Understanding.

(iii) To the extent that the funds which are credited to the General Account but which are not immediately invested in Certificate A are not required immediately for payment, the Bank may authorize the FRBNY to debit the General Account by the amount not so required, and immediately place this amount in a non-transferable United States Treasury Certificate of Indebtedness (the "Discretionary Certificate"). The Secretary of the Treasury is prepared to issue the Discretionary Certificate to the Bank, at par, to mature September 14, 1990. The Bank's authorization to invest such proceeds in the Discretionary Certificate must be received on or before 10 A.M. (New York) of the day on which funds are received in the General Account. The Discretionary Certificate will be issued and redeemed at the FRBNY, and redemption shall occur on two business days' notice (New York). The Discretionary Certificate will be held in the Custody Account, and will bear interest at a rate of interest equivalent to the Adjusted Yield. The Discretionary Certificate will not be a Certificate of Indebtedness as referred to and as defined in paragraph 6 of the Memorandum of Understanding.

B. The Mexican peso counterpart of the drawing by the Bank is to be credited to a special account in the name of "Federal Reserve Bank of New York as Fiscal Agent of the United States, Special Account No. 2" on the books of the Bank in accordance with instructions given to the Bank by authenticated telecommunication. The Mexican peso counterpart of the drawing shall earn a return at a rate of interest which is equivalent to the Adjusted Yield, as calculated in subparagraph IV.A (ii).

Such return shall be converted to United States dollars at the time of repayment on the amount being repaid at the rate of exchange described in paragraph III. Such balances may be withdrawn by the United States Treasury on two business days' notice (Mexico City).

V. The Government of the United Mexican States hereby unconditionally guarantees the full performance by the Bank of all obligations, duties, and liabilities of the Bank under this agreement.

VI. The Bank and the Government of the United Mexican States agree not to activate the Exchange Stabilization Agreement of January 12, 1990 among the United States Department of the Treasury, the Banco de Mexico, and the Government of the United Mexican States (the "Exchange Stabilization Agreement"), while this agreement is in effect. Nevertheless, the Bank and the Government of the United Mexican States reiterate their willingness to furnish Treasury with additional information on Mexico's economic and financial conditions and related policies, as provided for under the penultimate sentence of paragraph 14 of the Exchange Stabilization Agreement.

VII. This agreement is executed in two counterparts, each of which when so executed shall be deemed to be an original, and all of which taken together shall constitute one and the same agreement.

United States Treasury
Exchange Stabilization
Fund

By:


Charles W. Hallara
Assistant Secretary
(International Affairs)

Government of the
United Mexican States

By:


Pedro Aspe Armella
Minister of Finance
and Public Credit

Banco de Mexico

By:


Miguel Mancera Aguayo
Director General

March 23 , 1990

MEMORANDUM OF UNDERSTANDING

(1) The Facility

(i) This Memorandum of Understanding sets forth the mutual understandings of (a) the Banco de Mexico, and (b) the United States Department of the Treasury and the Federal Reserve System (collectively, the "United States Monetary Authorities" or individually, the "United States Monetary Authority") as to the provision of near-term support for the international reserves of the United Mexican States ("UMS") (the "Facility").

(ii) The United States Monetary Authorities are providing the Facility in light of (a) the agreement between the UMS and its commercial bank creditors on a multi-year financial package in support of the program of economic reform and economic growth of the UMS; (b) the approval by the Executive Board of the International Monetary Fund (the "Fund") on May 26, 1989, of a three-year Extended Fund Facility ("EFF") in the amount of SDR 2,797 million for the UMS of which SDR 489.51 million is expected to be available from the Fund in additional purchases by the UMS before the middle of September 1990; (c) the previous approval by the Executive Board of the International Bank for Reconstruction and Development (the "World Bank") of three policy-based loans for the UMS, the financial sector adjustment loan, steel sector restructuring loan, and fertilizer sector loan, in an aggregate amount of approximately U.S. \$1.5 billion, of which U.S.

\$40 million of such loans is expected to be available in the near-term and U.S. \$70 million subsequently under these loans; the expected approval by the Executive Board of the World Bank of two other policy-based loans for the UMS, the transport and telecommunications sector loan and the export sector adjustment loan, under which first tranches are expected to be available by the end of August 1990 in an aggregate amount of U.S. \$240 million (all such policy-based loans are referred to herein as the "World Bank Policy Loans"); (d) the approval by the Executive Board of the World Bank of various project loans under which disbursements are expected to be made by the end of August 1990 (all such project loans are referred to herein as the "World Bank Project Loans") (collectively, the World Bank Policy Loans and the World Bank Project Loans are referred to herein as the "World Bank Loans") (the expected amounts of disbursements and the dates by which such disbursements are expected under these World Bank Loans are specified in Schedule B); and (e) the agreement by the Banco de Mexico and the appropriate Mexican authorities to apply the proceeds of purchases from the Fund and of disbursements from the World Bank in reimbursement of expenditures incurred in or during the execution of the projects or programs financed under the World Bank Loans in amounts specified in Schedule B, in repayment of this Facility, and in any event to repay the Facility in full not later than September 14, 1990 (the "Maturity Date").

(2) The Separate Agreements

To implement this Memorandum of Understanding both U.S. Monetary Authorities shall enter respectively into separate swap agreements with the Banco de Mexico (the "Separate Agreements"). The terms and conditions of each Separate Agreement shall be consistent with the provisions of this Memorandum of Understanding, and shall govern the respective rights and obligations of the parties thereto.

(3) Commitments of the United States Monetary Authorities

The amounts of the commitments made by each of the United States Monetary Authorities under their respective Separate Agreements to the Facility are set out in Schedule A to this Memorandum of Understanding the ("Commitments").

(4) Funding of a Drawing on the Facility

The aggregate amount of the Facility shall be U.S. \$1,300 million, which shall be made available by the United States Monetary Authorities to the Banco de Mexico in a single drawing at the Federal Reserve Bank of New York (the "FRBNY") subject to the terms and conditions of this Memorandum of Understanding.

(5) Amount Available to be Drawn under the Facility

Subject to the conditions precedent set out in paragraph (6) below, the Banco de Mexico may request not later than March 31, 1990 the drawing on the Facility on two New York business days' notice by authenticated telecommunication to the

FRBNY in a form acceptable to it; provided, however, that the amount of the drawing that may be requested under the Facility shall be reduced by the aggregate amount of any disbursements from the World Bank under any of the World Bank Loans other than disbursements for debt reduction, and the proceeds of any purchases from the Fund, which the UMS shall have received after March 20, 1990, and prior to the date of the drawing; and provided further that if the amount of the drawing that may be requested by the Banco de Mexico is reduced pursuant to this paragraph, then the amount of such reduction shall be applied to decrease on a pari passu basis the amount of the Commitments of the United States Monetary Authorities, as set out in Schedule A, for purposes of funding the Facility in accordance with paragraph (4) above and repayment of the Facility in accordance with paragraph (8) below.

(6) Crediting of the Drawing and Conditions Precedent

(i) For the drawing made under the Facility pursuant to paragraph (5), and subject to compliance with the conditions precedent specified in subparagraph (ii) of this paragraph, the FRBNY shall debit the accounts of the United States Monetary Authorities, subject to the receipt of appropriate instructions that it is able to execute, in amounts equal to their respective Commitments, and credit the amount of the drawing to the Banco de Mexico's general account on the FRBNY's books; provided, however, that U.S. \$550 million of the total amount of the drawing under

the Facility, which shall be funded by the United States Monetary Authorities in proportion to the amounts of the respective Commitments, shall be immediately invested for the account of the Banco de Mexico in non-transferable United States Treasury Certificates of Indebtedness (the "Certificates") which the Secretary of the Treasury is prepared to issue, maturing on the Maturity Date, and bearing interest as determined in accordance with the Separate Agreements of the United States Monetary Authorities. The Certificates will be issued to the Banco de Mexico and held in its custody account at the FRBNY. The Certificates are redeemable in part or in whole by the Banco de Mexico in proportion to the Commitments on or prior to the Maturity Date, provided that the proceeds of such redemptions (a) prior to the Maturity Date, are made available to the Banco de Mexico (x) on or after May 1, 1990 in an amount not exceeding U.S. \$150 million (the "First Redemption"), (y) on or after May 15, 1990 in an amount not exceeding U.S. \$200 million (the "Second Redemption"), and (z) on or after June 1, 1990 in an amount not exceeding U.S. \$200 million (the "Third Redemption"); provided that the respective conditions precedent for the First, Second, and Third Redemptions referred to in subparagraphs (iii), (iv), and (v) below of this paragraph have been met; and provided further that the FRBNY has been informed by the United States Monetary Authorities that the respective amounts requested by the Banco de Mexico for the First or Second Redemptions are, in the

judgment of the United States Monetary Authorities, based on a reasonable expectation of the amounts to be disbursed by August 31, 1990 under the World Bank Loans; or (b) prior to the Maturity Date, are applied in repayment of the Facility in full including interest pursuant to paragraph (7)(ii) below; or (c) on the Maturity Date, are applied in repayment of the Facility, together with interest accrued on the amount being repaid, in accordance with paragraph (8) below.

(ii) The following conditions precedent shall apply to the drawing on the Facility:

(a) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the Managing Director of the Fund in the form set forth in Schedule C concerning the compliance of the UMS with performance criteria applicable to its economic program with the Fund and UMS' purchases under the EFF;

(b) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the World Bank in the form set forth in Schedule D stating that, as of the date of the request for the drawing, none of the World Bank Loans has been suspended by reason of default by the UMS or any other borrower or guarantor with respect to any obligation to the World Bank under any such loan; identifying the World Bank Policy Loans that have become effective; and identifying the

approximate amount expected to be disbursed by the World Bank to the UMS in response to withdrawal applications from the UMS under the World Bank Policy Loans on or prior to August 31, 1990;

(c) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the Banco de Mexico in the form set forth in Schedule E identifying the approximate amount expected to be disbursed by the World Bank to the UMS in response to withdrawal applications from the UMS under the World Bank Loans on or prior to August 31, 1990;

(d) The FRBNY shall have received a copy of the instructions and other communications to the Fund and the World Bank, as well as a letter from the World Bank acknowledging such instructions, specified in paragraph (9) below, which shall have been provided by the appropriate Mexican authorities;

(e) The arrangements concerning the receipt by the FRBNY of proceeds of payments due under contracts for sale of Mexican crude oil specified in paragraph (10) shall have been completed; and

(f) The Banco de Mexico shall have obtained, and shall have provided to the FRBNY copies of, any legal opinions or other documents as are required by either of the United States Monetary Authorities, and in particular

the legal opinions in the form set forth in Schedules F, G H, I and J.

(iii) The Banco de Mexico may request the First Redemption on or after May 1, 1990 provided that the following conditions precedent have been met:

(a) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the World Bank in the form set forth in Schedule K and dated as of a date two New York business days prior to the date of the request for the First Redemption stating that none of the World Bank Loans has been suspended by reason of default by the UMS or any other borrower or guarantor with respect to any obligation to the World Bank under any such loan; identifying the World Bank Policy Loans that have become effective; and identifying the approximate aggregate amount which is expected to be or has been disbursed by the World Bank to the UMS in response to withdrawal applications from the UMS requesting reimbursement for import invoices under the World Bank Policy Loans on or prior to August 31, 1990; and

(b) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the Banco de Mexico in the form set forth in Schedule L requesting the First Redemption and identifying the approximate amount expected to be disbursed by the World

Bank to the UMS in response to withdrawal applications from the UMS under the World Bank Loans on or prior to August 31, 1990.

(iv) The Banco de Mexico may request the Second Redemption on or after May 15, 1990 provided that the following conditions precedent shall have been met:

(a) The First Redemption shall have taken place;

(b) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the World Bank in the form set forth in Schedule K and dated as of a date two New York business days prior to the date of the request for the Second Redemption stating that none of the World Bank Loans has been suspended by reason of default by the UMS or any other borrower or guarantor with respect to any obligation to the World Bank under any such loan; identifying the World Bank Policy Loans that have become effective; and identifying the approximate aggregate amount which is expected to be or has been disbursed by the World Bank to the UMS in response to withdrawal applications from the UMS requesting reimbursement for import invoices under the World Bank Policy Loans on or prior to August 31, 1990; and

(c) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the Banco de Mexico in the form set forth in Schedule M requesting the Second Redemption and identifying the approximate amount expected to be disbursed by the World Bank to the UMS in response to withdrawal applications from the UMS under the World Bank Loans on or prior to August 31, 1990.

(v) The Banco de Mexico may request the Third Redemption on or after June 1, 1990 provided that the following conditions precedent have been met:

(a) The First Redemption shall have taken place;
and

(b) The FRBNY shall have received a copy of a letter addressed to the United States Monetary Authorities from the Managing Director of the Fund in the form set forth in Schedule N concerning the UMS' purchase(s) under the EFF.

(7) Repayment Schedule

(i) The Banco de Mexico shall repay the drawing made under paragraph (5), plus accrued and unpaid interest on the amount repaid, as set out below:

(a) On each date on which the proceeds are made available to the appropriate Mexican authorities of (x) any purchases under the EFF or other purchases from the Fund,

or (y) any disbursements from the World Bank, other than disbursements for debt reduction, in reimbursement of expenditures incurred in or during the execution of the projects or programs financed under World Bank Loans, such proceeds shall be applied immediately in repayment of the Facility in accordance with the procedures set forth in paragraphs (8) and (9) below; and

(b) On the Maturity Date, any remaining outstanding balance.

(ii) The Banco de Mexico shall have the right, at any time, on giving two New York working days' notice by authenticated telecommunication to the FRBNY, to reimburse in advance all or part of the drawing made under the Facility, in accordance with the procedures set forth in paragraphs (6), (8) and (9) hereof.

(8) Repayment Procedures

(i) Banco de Mexico shall make all repayments of the drawing, plus interest, on the Facility through the FRBNY, which shall distribute repayments of principal pari passu to the United States Monetary Authorities in proportion to their respective Commitments; provided, however, that on the Maturity Date, as provided in paragraph (6), Banco de Mexico hereby irrevocably authorizes and instructs the FRBNY to redeem the Certificates not previously redeemed in accordance with paragraph (6)(i) above, to effect pari passu repayment of the Facility, including interest,

in accordance with the terms of the respective Separate Agreements of the United States Monetary Authorities. The Banco de Mexico shall pay interest to the United States Monetary Authorities on all principal amounts repaid at the time of repayment as set out in the respective Separate Agreements. (The procedures set out in this subparagraph (i) are hereinafter referred to as "Repayment Procedures.")

(ii) The Banco de Mexico irrevocably authorizes and instructs the FRBNY to debit the Special Funds Account, as defined in paragraph (9) below, in the amounts of each repayment of the Facility, other than repayment from the proceeds of redemptions of the Certificates that occur on the Maturity Date, plus interest accrued on such amounts, on the repayment dates specified in paragraph (7); provided, however, that, except on or after the Maturity Date, aggregate amounts in the Special Funds Account shall be equal to or greater than U.S. \$50 million before the Special Funds Account shall be debited in repayment of the Facility. Funds deposited into the Special Funds Account that are not immediately applied to repayment of the Facility may be invested, at the request of the Banco de Mexico, in the repurchase agreement pool of the FRBNY, and such investments plus interest earned thereon shall be deemed for purposes of this Memorandum of Understanding to be part of the Special Funds Account. If, on the Maturity Date, and after redemption of the Certificates on the Maturity Date as provided in paragraph

(6)(i)(b) and subparagraph (i) of this paragraph, the funds in the Special Funds Account are not sufficient to effect full repayment of the Facility including interest, the Banco de Mexico irrevocably authorizes and instructs the FRBNY to debit any other account of the Banco de Mexico with the FRBNY and, if necessary, to liquidate investments the FRBNY holds for the Banco de Mexico, and apply such amounts first to the payment of accrued and unpaid interest and then to the payment of outstanding principal by transferring such amounts to the accounts on the books of the FRBNY of the United States Monetary Authorities in accordance with the Repayment Procedures.

(iii) If either United States Monetary Authority receives a repayment or satisfaction of a claim arising under its respective Separate Agreement, other than repayment of all or part of the Facility through redemption of the Certificates on a pari passu basis, the amount so received shall be shared between the United States Monetary Authorities in accordance with the Repayment Procedures. For this purpose that part of the amount so received that exceeds the proportionate share of such United States Monetary Authority to the Commitments shall be transferred by it to the FRBNY for distribution to the other United States Monetary Authority against assignment of the corresponding claim of the latter on the Banco de Mexico.

(9) Instructions on Purchases from the Fund and World Bank Disbursements

(i) As a condition to the drawing under this Facility, the appropriate Mexican authorities shall give the instructions set forth under subparagraphs (ii) and (iii) below, which instructions shall not be revoked until the FRBNY certifies on behalf of the United States Monetary Authorities in authenticated telecommunication to the Banco de Mexico that the Facility has been repaid in full, including interest. Such certification shall occur promptly.

(ii) With respect to the proceeds made available to the UMS from purchases under the EFF or any other purchases from the Fund prior to repayment of the Facility in full, including interest, the appropriate Mexican authorities, immediately after this Memorandum of Understanding becomes effective, shall irrevocably instruct the Fund, in the form set forth in Schedule O, to transfer such proceeds directly to the FRBNY for deposit into a special account of the Banco de Mexico at the FRBNY established for this purpose (the "Special Funds Account"), and shall carry out any instructions required by the Fund in order to confirm such irrevocable instructions at the time of any purchase under the EFF; and the Banco de Mexico hereby irrevocably authorizes and instructs the FRBNY to debit such account and to disburse any funds received into such account in repayment of the Facility in accordance with paragraph (8) above. A copy of the letter of instructions in the form set forth in Schedule O shall be provided to the FRBNY in accordance with

paragraph (6)(ii)(d) above as a condition precedent to the drawing under the Facility.

(iii) With respect to the disbursements from the World Bank, other than disbursements for debt reduction, in reimbursement of expenditures incurred in or during the execution of the projects or programs financed under World Bank Loans in amounts specified in Schedule B, the appropriate Mexican authorities shall, immediately after this Memorandum of Understanding becomes effective, irrevocably instruct the World Bank, in the form set forth in Schedule P, to deposit such disbursements into the Special Funds Account; and the Banco de Mexico shall provide to the FRBNY an authenticated copy of a letter addressed to the UMS and the Banco de Mexico by the World Bank, in the form set forth in Schedule Q, in which the World Bank (a) takes note that the proceeds of the disbursements by the World Bank, under the World Bank Loans, will be applied in repayment of the drawing made by the Banco de Mexico under the Facility, (b) confirms that the World Bank will carry out instructions by the Mexican authorities to pay the proceeds of such disbursements to the Special Funds Account, and (c) notes that such instructions may not be revoked until the drawing under the Facility has been repaid in full, including interest, as certified by the FRBNY on behalf of the United States Monetary Authorities. Copies of the letters in the form set forth in Schedules P and Q shall be provided to the FRBNY in accordance

with paragraph (6)(ii)(d) above as a condition precedent to the drawing under the Facility.

(iv) The Banco de Mexico hereby agrees to the use of the funds deposited into the Special Funds Account for repayments provided for in paragraphs (7)(i) and (ii) above and in accordance with the Repayment Procedures. If, after such debit, the Facility, including accrued interest, has not been repaid in full on the Maturity Date, then the Banco de Mexico will deposit into the Special Funds Account additional funds to repay the Facility in full including interest. If the Facility, including accrued interest, has not been repaid in full on the Maturity Date, the FRBNY shall debit the Special Funds Account and disburse the funds so debited in repayment of the Facility in accordance with paragraph (8) above as and when additional funds are received in the Special Funds Account from the Fund and the World Bank, and shall debit any other account and liquidate any investments of the Banco de Mexico at the FRBNY in accordance with paragraph (8)(ii) above. After repayment in full of the Facility, including interest, the Facility shall terminate, and only then shall the Banco de Mexico be entitled to draw on funds in the Special Funds Account.

(10) Proceeds of Oil Shipments

(i) The Banco de Mexico hereby covenants, as a condition to the drawing under this Facility, that it will complete all the necessary arrangements (a) to provide, as from September 15,

1990, for the transfer by Petroleos Mexicanos ("PEMEX"), and any of its subsidiaries, including P.M.I. Comercio Internacional, S.A. de C.V. ("PMI"), to the Banco de Mexico of proceeds of crude oil shipments in amounts aggregating up to U.S. \$1.3 billion, the amounts so transferred becoming part of the monetary reserves held by the Banco de Mexico, and (b) for the amounts so received by the Banco de Mexico to be credited by it to the Special Funds Account in an aggregate amount up to U.S. \$1.3 billion, which is intended to be sufficient to repay total indebtedness of the Banco de Mexico including accrued and unpaid interest under the Separate Agreements that may be outstanding as from September 15, 1990.

(ii) To effect such arrangements Banco de Mexico also has agreed to provide the FRBNY with the documentation described below in the forms set out in Schedules R through V as required by paragraph (6)(ii)(e) above as a condition precedent to the drawing under the Facility.

(a) At the request of the Banco de Mexico, PEMEX and PMI shall:

(aa) execute and deliver to the FRBNY an undertaking, in the form of Schedule R, confirming the obligations set forth in subparagraphs (bb), (cc), (dd) and (ee) below;

(bb) direct the customers of PMI as listed in Schedule S (which Schedule is subject to amendment

as provided therein) to make all payments for the purchase of crude oil due to PEMEX, to PMI or to any other subsidiary of PEMEX on and after September 15, 1990 up to an aggregate amount of U.S. \$1.3 billion ("the Payments") to Swiss Bank Corporation, New York Branch ("SBC") for the account of PMI;

(cc) undertake not to sell or otherwise dispose of or create or permit or suffer to be created or exist any lien, pledge, mortgage, charge or other encumbrance or security interest whatsoever with respect to its rights to receive such Payments, nor to enter into any other arrangement with respect to such Payments which gives any person an interest therein;

(dd) transfer the proceeds of such Payments to the Banco de Mexico, the proceeds so transferred becoming part of the monetary reserves held by the Banco de Mexico, PEMEX and PMI having no further right, title or interest in the specific proceeds so transferred; and

(ee) execute and deliver to SBC a letter of instructions, in the form of Schedule T, whereby PMI, with the confirmation of PEMEX, unconditionally and irrevocably authorizes and directs SBC to credit to the account of the Banco de Mexico at SBC

immediately upon the receipt thereof all Payments remitted to SBC for the account of PMI.

(b) The Banco de Mexico will execute and deliver to SBC a letter of instructions, in the form of Schedule U unconditionally and irrevocably authorizing and directing SBC to transfer immediately to the Special Funds Account on the books of the FRBNY all amounts so credited to the account of Banco de Mexico at SBC. The Banco de Mexico shall deliver to the FRBNY the written consent of SBC to the foregoing instructions of PMI, as confirmed by PEMEX and the Banco de Mexico, in the form of Schedule V.

(iii) The Banco de Mexico agrees that it will not sell or otherwise dispose of or create or permit or suffer to be created or exist any lien, pledge, mortgage, charge or other encumbrance or security interest whatsoever on any funds credited to its accounts with SBC or the Special Funds Account on the books of the FRBNY, nor enter into any other arrangement with respect to such funds which gives any other person an interest therein, other than the arrangements specified in this agreement.

(iv) To the extent that after the Maturity Date any amounts remain due and unpaid by the Banco de Mexico under the Separate Agreements, the FRBNY may set off against any amounts standing to the credit of the Special Funds Account, any such claims under the Separate Agreements.

(v) Upon repayment in full of all indebtedness of

the Banco de Mexico under the Facility, the FRBNY shall promptly release SBC from its obligations undertaken in accordance with Schedule V and deliver to the Banco de Mexico, for onward transmission to PEMEX and PMI, a confirmation that Banco de Mexico has fulfilled all of its obligations towards the United States Monetary Authorities under the Facility.

(11) Oil Proceeds Implementation Arrangements

(i) The FRBNY will use its best endeavors to facilitate the implementation of the arrangements under paragraph (10) above for the benefit of the United States Monetary Authorities with respect to their Separate Agreements with the Banco de Mexico. The FRBNY shall, to the extent feasible, set off any amounts in Special Funds Account deposited pursuant to paragraph 10)(i) above to the extent there are any amounts due and unpaid to either of the United States Monetary Authorities. However, the FRBNY shall not assume any liability whatsoever to the United States Monetary Authorities for, nor bear any risk in connection with, the establishment of such arrangements or for their proper implementation. Moreover, the United States Monetary Authorities agree to indemnify the FRBNY for all and any loss or damage, costs, or expenses it may incur as a result of the application of such arrangements in the same proportion as their respective proportionate shares in the Facility as set forth in Schedule A.

(ii) In order to carry out its duties under subparagraph (i) of this paragraph, the FRBNY may request at any time after

the Maturity Date the assignment to the FRBNY of any of the then outstanding claims of the United States Monetary Authorities under their Separate Agreements with the Banco de Mexico. If at any time after the Maturity Date any sums are due and unpaid to any of the United States Monetary Authorities under the Separate Agreements, such United States Monetary Authorities shall have the right to assign their claims arising under such Separate Agreements to the FRBNY. Any such assignment shall be required to occur simultaneously with the exercise of the right of setoff described in subparagraph (i) above. Any claims so assigned to the FRBNY shall be free from any pledge, encumbrance or other similar right in favor of third parties, and the FRBNY shall have the right to decline to accept the assignment of any particular claim if, in its reasonable judgment, it believes such rights do or may exist.

(12) Additional Implementing Arrangement

In carrying out its duties in connection with the arrangements referred to in paragraphs (10) and (11) above, the FRBNY may, at its sole discretion, take such steps as it considers reasonable and appropriate in the circumstances to protect the interests of each of the United States Monetary Authorities.

(13) Authority of Banco de Mexico

(i) The Banco de Mexico warrants that it has full power and authority to enter into and perform its obligations under

this Memorandum of Understanding and the Separate Agreements and has taken all necessary corporate and other actions to authorize the performance of the terms and conditions thereof.

(ii) The Banco de Mexico warrants that the Government of the UMS has agreed in writing, in the form set forth in Schedule W, to take whatever actions, and provide any other support, necessary to facilitate the Banco de Mexico's performance under this Memorandum of Understanding and under the Separate Agreements. The document in the form set forth in Schedule W shall be provided to the FRBNY in accordance with paragraph (6)(ii)(f) above as a condition precedent to the drawing under the Facility.

(14) Rules Applicable to the FRBNY

In carrying out its functions, the FRBNY shall have the authority to interpret and act under the irrevocable authorizations and instructions received by it hereunder and any notifications or other communications that the parties hereto shall send or transmit to the FRBNY, in such manner as the FRBNY, in its sole judgment, deems reasonable. In making any calculations of the drawing and repayments provided for under this Memorandum of Understanding and the Separate Agreements, the FRBNY shall have the authority to make rounding adjustments to any amounts determined on the basis of the proportionate share of each United States Monetary Authority to the Commitments so that total drawings and repayments under the Facility equal the

Commitments. No compensation shall be due from the Banco de Mexico for services rendered by the FRBNY under the authorizations and instructions in this Memorandum of Understanding. In carrying out its functions under this Memorandum of Understanding the FRBNY shall be liable only for its failure to exercise reasonable care unless otherwise provided herein with respect to the implementation of the oil proceeds arrangements pursuant to paragraph (11) above.

(15) Amendment

This Memorandum of Understanding may be amended by the consent in writing, including consent by authenticated telecommunication, of all the parties to such Memorandum.

(16) Entry into Effect

(i) By transmitting an authenticated telecommunication to the FRBNY containing the word "Parrot" and its name, each United States Monetary Authority (a) indicates its consent to the terms of this Memorandum of Understanding and (b) confirms that its Separate Agreement with the Banco de Mexico has been executed.

(ii) By transmitting an authenticated telecommunication to the FRBNY containing the word "Toucan" and its name, the Banco de Mexico (a) indicates its consent to the terms of this Memorandum of Understanding, (b) confirms that both of its Separate Agreements with the United States Monetary Authorities have been executed and (c) irrevocably authorizes and instructs

the FRBNY to establish the Special Funds Account and to effect repayment of the Facility in accordance with this Memorandum of Understanding.

(iii) All notices referred to in subparagraphs (i) and (ii) of this paragraph shall hereinafter be referred to as the "Notices."

(iv) This Memorandum of Understanding and all of the Separate Agreements shall take effect when the FRBNY advises the United States Monetary Authorities and the Banco de Mexico by authenticated telecommunication that it has received all of the Notices required by this paragraph (16). No message shall be effective to alter the terms of such Notices.

SCHEDULE A

AMOUNTS OF COMMITMENTS OF UNITED STATES MONETARY AUTHORITIES
TO THE FACILITY

(millions of U.S. dollars)

United States Monetary Authorities

U.S. Department of the Treasury 600
Federal Reserve System 700*

TOTAL FOR FACILITY

1,300

*/ The Federal Reserve Bank of New York will act on behalf of
the Federal Reserve System.

SCHEDULE B
WORLD BANK LOANS

<u>Loan Name</u>	<u>Loan No.</u>	<u>Expected Amounts of Proceeds by Date */</u>		
		(in millions of dollars)		
		<u>4/30/90</u>	<u>5/31/90</u>	<u>8/31/90</u>
<u>Policy-Based Loans</u>				
Financial Sector Adjustment Loan	3085	3	4	3
Steel Sector Restructuring Loan	2916	5	5	30
Fertilizer Sector Loan	2919	5	0	55
Transport and Telecommunications Sector Loan		0	0	190
Export Sector Adjustment Loan		0	0	30
<u>Project Loans</u>				
Industrial Restr.	3047	10	5	20
Housing Finance	2947	15	10	30
Highways Sector II	2428	5	0	15
Hydroelect. Dev.	3083	0	0	15
2nd Agri. Marketing	3141	5	0	10
Railways V	2575	0	2.5	7.5
2nd Low-inc. Housing	3140	0	0	50
Port Rehab.	2946	0	6	5

*/The amounts expected under the policy-based and project loans include only those disbursements in reimbursement of expenditures incurred in or during the execution of the projects or programs financed under the loans from the World Bank.

<u>Loan Name</u>	<u>Loan No.</u>	<u>Expected Amounts of Proceeds by Date */</u>		
		<u>(in millions of dollars)</u>		
		<u>4/30/90</u>	<u>5/31/90</u>	<u>8/31/90</u>
Sm./Med. Ind. IV	2858	1	2	7
Industrial Recovery	2746	1	2	5
Earthquake Rehab.	2665	1	2	3
Export Dev.	2777	1	1	2
Highway Maint.	2875	0.5	0.5	2
Transmission/Distrib.		0	0	50
Rio Fuerte	1706	0.5	0.5	3
Apatzingan	1858	0.5	0.5	6
Chiapas Agric.	2526	0.5	0	3.5
Proderith II	2658	0	0.5	3.5
Agric. Credit (FIRA)	2837	0.5	1	2.6
Agric. Extension	2859	0.5	0.5	3
Forestry Dev.	3115	0.5	0.5	3
Sm/Med. Mining	2546	1.5	1.5	3
TPL I	2745	0.5	0.25	1.25
Tech. Dev.	2747	1	0.5	2.5
Sinaloa Water	2281	1	1	0.5
Lazaro Cardenas Ports	2450	1	1	2
Low Inc. Housing	2612	1	0.2	0.1
Municipal Streng.	2666	0.5	0.5	3
Solid Waste	2669	0.5	0.5	2
Urban Transport	2824	0.5	0.5	2.5

Water/Women Dev.	3101	0	0	2.5
Vocational Educat.	2559	2	1.5	3.5
Manpower Educat.	2876	1	1	2.5
		<u> </u>	<u> </u>	<u> </u>
Totals		66.00	51.95	579.45

Cumulative Subtotal of All Proceeds of Policy-Based Loans 330.0

Cumulative Subtotal of All Proceeds of Project Loans 367.4

Grand Total of All Loans 697.4

SCHEDULE C

LETTER FROM THE MANAGING DIRECTOR OF THE FUND
WITH RESPECT TO DRAWING

[Date]

Board of Governors of the
Federal Reserve System

U.S. Department of the Treasury

Dear Sirs:

I wish to inform you that, under the extended arrangement for Mexico which was approved on May 26, 1989, and continues in effect, Mexico has, as of February 27, 1990, purchased all the amounts that were scheduled to become available on or prior to such date, and Mexico has the right to make purchases from the Fund up to the total amount approved under the arrangement in accordance with the phasing thereof, subject to the satisfaction of the terms and conditions relating thereto. Mexico could make the fourth purchase of up to SDR 163.17 million by end-April 1990, the fifth purchase of up to SDR 163.17 million by end-May 1990, and the sixth purchase of up to SDR 163.17 million by end-August 1990, subject to the satisfaction of terms and conditions relating thereto.

I also wish to inform you, on the basis of a report from staff on Mexico's position, policies and prospects, that the Mexican adjustment program is proceeding satisfactorily. As regards the fourth purchase from the Fund of up to SDR 163.17 million that was scheduled to become available on or after February 27, 1990 under the extended arrangement for Mexico, I expect to be in a position to recommend that the Executive Board waive the nonobservance of certain performance criteria and complete the review provided for in paragraph 4 of the extended arrangement in order to enable Mexico to resume making purchases, including that purchase, in accordance with the provisions of that arrangement.

Sincerely yours,

Michel Camdessus
Chairman of the Executive Board
and
Managing Director

SCHEDULE D

WORLD BANK LETTER WITH RESPECT TO DRAWING

[Date]

Board of Governors of the Federal
Reserve System
United States Department of the Treasury

Dear Sirs:

This is to confirm that as of this date none of the World Bank loans listed in Attachment 1 hereto has been suspended by reason of default by the respective borrower or guarantor with respect to any obligation to the World Bank thereunder; and all of the policy-based World Bank loans listed in Attachment 1 (the "World Bank Policy Loans")[^] except for the Transport and Telecommunications Sector Loan and the Export Sector Adjustment Loan, have become effective.

^{which has not yet been considered by the Executive Director}
The respective borrowers under the World Bank Policy Loans have informed the World Bank that they expect to submit withdrawal applications for loan proceeds under the World Bank Policy Loans in an aggregate amount equivalent to approximately U.S. \$ _____ requesting reimbursement for import invoices so as to enable them to withdraw loan proceeds in such amount during the period beginning on [April __, 1990] and ending on August 31, 1990. The borrowers' expectation appears to be reasonable, subject to submission in a timely manner of all documentation required by the loan agreements for withdrawal of such proceeds and subject, in the case of the Transport and Telecommunications Sector Loan and the Export Sector Adjustment Loan, to satisfaction of all conditions precedent for disbursement of such loans and, in the case of the Fertilizer Sector Loan, to ^{approval of the} satisfaction of all conditions for disbursement of the second ^{loan by} tranche of that loan. ^{the Execut}
^{Director}
^{and}

The statements contained in this letter are not to be construed as a waiver of any rights which the World Bank may have

under the loan, project or guarantee agreements relating to the loans or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

Very truly yours,

Director, Country Department II
Latin America and the Caribbean Regional Office

Attachment

cc: The Federal Reserve Bank of New York

Attachment 1
World Bank Loans

<u>Policy-Based Loans</u>	<u>Loan No.</u>
Financial Sector Adjustment Loan	3085
Steel Sector Restructuring Loan	2916
Fertilizer Sector Loan	2919
Transport and Telecommunications Sector Loan	
Export Sector Adjustment Loan	
<u>Project Loans</u>	
Industrial Restr.	3047
Housing Finance	2947
Highways Sector II	2428
Hydroelect. Dev.	3083
2nd Agri. Marketing	3141
Railways V	2575
2nd Low-inc. Housing	3140
Port Rehab.	2946
Sm./Med. Ind. IV	2858
Industrial Recovery	2746
Earthquake Rehab.	2665
Export Dev.	2777
Highway Maint.	2875
Rio Fuerte	1706
Apatzingan	1858
Chiapas Agric.	2526
Proderith II	2658
Agric. Credit (FIRA)	2837
Agric. Extension	2859
Forestry Dev.	3115
Sm/Med. Mining	2546
TPL I	2745
Tech. Dev.	2747
Sinaloa Water	2281
Lazaro Cardenas Ports	2450
Low Inc. Housing	2612
Municipal Streng.	2666
Solid Waste	2669
Urban Transport	2824
Water/Women Dev.	3101
Vocational Educat.	2559
Manpower Educat.	2876
Transmission/Distrib.	

SCHEDULE E

BANCO DE MEXICO LETTER TO UNITED STATES MONETARY AUTHORITIES
WITH RESPECT TO DRAWING

[Date]

Board of Governors of the
Federal Reserve System
United States Department of the Treasury

Re: World Bank Loan Disbursements

Dear Sirs:

We hereby inform you that we expect the respective Mexican public sector borrowers to submit withdrawal applications for loan proceeds under the policy-based World Bank loans listed in Attachment 1 (the "World Bank Policy Loans") for the period beginning on [April __, 1990] and ending on August 31, 1990 in an aggregate amount equivalent to approximately U.S. \$_____ requesting reimbursement for import invoices.

We also expect the respective Mexican public sector borrowers to submit withdrawal applications for loan proceeds under the World Bank project loans listed in Attachment 1 (the "World Bank Project Loans") and the World Bank Policy Loans for the period beginning on [April __, 1990] and ending on August 31, 1990 in an aggregate amount equivalent to approximately U.S. \$_____ requesting reimbursement for expenditures incurred in or during the execution of the projects or programs financed under such World Bank Project Loans and World Bank Policy Loans.

We are providing copies of our letter to you to the World Bank and the Federal Reserve Bank of New York.

Very truly yours,

BANCO DE MEXICO

By _____

Confirmation by the United Mexican States
as Guarantor under the World Bank loans:

Attachment

Attachment 1
World Bank Loans

<u>Policy-Based Loans</u>	<u>Loan No.</u>
Financial Sector Adjustment Loan	3085
Steel Sector Restructuring Loan	2916
Fertilizer Sector Loan	2919
Transport and Telecommunications Sector Loan	
Export Sector Adjustment Loan	
<u>Project Loans</u>	
Industrial Restr.	3047
Housing Finance	2947
Highways Sector II	2428
Hydroelect. Dev.	3083
2nd Agri. Marketing	3141
Railways V	2575
2nd Low-inc. Housing	3140
Port Rehab.	2946
Sm./Med. Ind. IV	2858
Industrial Recovery	2746
Earthquake Rehab.	2665
Export Dev.	2777
Highway Maint.	2875
Rio Fuerte	1706
Apatzingan	1858
Chiapas Agric.	2526
Proderith II	2658
Agric. Credit (FIRA)	2837
Agric. Extension	2859
Forestry Dev.	3115
Sm/Med. Mining	2546
TPL I	2745
Tech. Dev.	2747
Sinaloa Water	2281
Lazaro Cardenas Ports	2450
Low Inc. Housing	2612
Municipal Streng.	2666
Solid Waste	2669
Urban Transport	2824
Water/Women Dev.	3101
Vocational Educat.	2559
Manpower Educat.	2876
Transmission/Distrib.	

[LETTERHEAD OF THE BANCO DE MEXICO]

SCHEDULE F
Legal Opinion of the Deputy Director General of the
Banco de Mexico

[Date]

Board of Governors of the Federal
Reserve System
Federal Reserve Bank of New York
United States Department of the Treasury

Dear Sirs:

I am the Deputy Director General of the Banco de Mexico (the "Bank") and have acted as Counsel to the Bank in connection with the preparation, execution, and delivery by the Bank of the Memorandum of Understanding (the "Memorandum of Understanding"), dated March 22, 1990, among the Bank and the United States Monetary Authorities and of the Separate Agreements (as defined in the Memorandum of Understanding) between the Bank and each of the United States Monetary Authorities, respectively.

Capitalized terms used herein without definition have the respective meanings specified in the Memorandum of Understanding.

I have examined, inter alia, the following:

- (1) The Organic Law of the Bank,
- (2) Evidence that there have been granted all appropriate authorizations, approvals, licenses, and consents

which may be necessary to authorize the Bank to perform its obligations under the terms of the Memorandum of Understanding and each Separate Agreement, and that the same are in full force and effect, and

- (3) All such other laws, regulations, and documents as I have considered necessary or desirable.

I have made such other investigations as I have considered appropriate for the purpose of giving the opinion set out below.

Based upon such examination, I am of the following opinion:

(A) The Bank is an institution of Mexico duly established, validly existing, and in good standing in all respects under the laws of Mexico and has full power and authority to own and maintain its properties and assets and to carry on its functions as they are now being conducted.

(B) The Bank has full power and authority to incur the obligations referred to in the Memorandum of Understanding and each Separate Agreement, to execute and deliver the Memorandum of Understanding and each Separate Agreement, to comply with the provisions thereof, and to perform the obligations expressed to be binding upon it in the Memorandum of Understanding and the Separate Agreements, including but not limited to the issuance of the irrevocable instructions described in paragraph 9 of the Memorandum of Understanding, and the crediting of the amount of

the proceeds of certain oil sales by Petroleos Mexicanos ("Pemex"), and any of its subsidiaries, including P.M.I. Comercio Internacional, S.A. de C.V., to the Special Funds Account on the books of the FRBNY, as contemplated by paragraph 10 of the Memorandum of Understanding.

(C) The Memorandum of Understanding and each Separate Agreement constitute legal, valid, and binding obligations of the Bank, enforceable in accordance with their respective terms, and the financial obligations of the Bank thereunder are and will constitute the direct, unconditional, and general indebtedness of the Bank, and rank and will rank at least pari passu in all respects with all other indebtedness issued, created, or assumed by the Bank payable in a currency other than Mexican pesos.

(D) All acts, conditions, and things required to be done, performed and to have happened prior to, and all consents, approvals, exemptions, and other requirements of governmental, public, and other bodies and authorities required for or in connection with, the execution, delivery, and performance of the Memorandum of Understanding and each Separate Agreement in order to render all of the obligations of the Bank thereunder valid, binding, and enforceable in accordance with their respective terms have been done, performed, and happened in due and strict compliance with the Organic Law of the Bank, any applicable agreement, regulation, or regulatory requirement, and all

applicable laws of Mexico.

(E) The execution and delivery of the Memorandum of Understanding and each Separate Agreement, the performance by the Bank of its obligations thereunder, and compliance by the Bank with the terms thereof, have been duly authorized by all necessary actions of the Bank and do not and will not:

(1) violate any provisions of any law, rule, regulation, order, judgment, injunction, decree, resolution, determination, or award of any court or any judicial, administrative, or governmental authority or organization having applicability to the Bank or of the Organic Law of the Bank,

(2) conflict or be inconsistent with, or result in a breach of, any of the terms, covenants, conditions, or provisions of, or constitute a default under, any agreement or other instrument, arrangement, or obligation to which the Bank is a party or by which it or any of its property, assets, or revenues may be bound or affected, or

(3) except as provided for in the Memorandum of Understanding and the Separate Agreements, constitute any arrangement that will create or result in any lien, pledge, mortgage, charge, or other encumbrance or security interest whatever over the whole or any part of the undertaking, property or assets, present or future, of the Bank, as security in respect of any present or future obligation of the Bank, in respect of

any indebtedness payable in a currency other than Mexican pesos.

(F) The officers of the Bank executing the Memorandum of Understanding and each Separate Agreement and all notices and other documents required thereunder or otherwise related thereto are and will be fully authorized to execute the same for and on behalf of the Bank.

(G) All consents, approvals, and requirements of governmental, public, and other bodies and authorities (including without limitation, the authorization of the Secretaria de Hacienda y Credito Publico) required for or in connection with the execution, delivery, and performance of the Memorandum of Understanding and each Separate Agreement and the instruments and other documents therein referred to, the making of all payments under the Memorandum of Understanding and each Separate Agreement, and the taking of any other action thereby contemplated, have been obtained and are in full force and effect.

(H) No event of default or other event which, with the giving of notice and/or lapse of time, would constitute an event of default has occurred and is continuing unremedied, nor will any event of default or other event as aforesaid result from any action taken under the Memorandum of Understanding or any Separate Agreement under any other agreement that the Bank has.

(I) No litigation or administrative or arbitration proceedings before or of any court, tribunal, arbitrator, or governmental or municipal authority are presently in process, pending or, to the best of my knowledge, threatened against the Bank or any of its property, assets, or revenues which would materially affect the Bank, and there is not in existence or likely to occur any dispute with any authority or any labor or other dispute of any kind which might have a material adverse effect on the property, assets, revenues, or condition of the Bank or on the Bank's ability duly to perform and observe its obligations under the Memorandum of Understanding and each Separate Agreement.

(J) The Bank is not in default under any such law, rule, regulation, order, judgment, injunction, decree, resolution, determination, or award as is referred to in paragraph (E) of this opinion, nor is the Bank in default under any agreement, instrument, arrangement, or obligation as is referred to in paragraph (E) of this opinion, in any such case being a default which might have an adverse effect on the property, assets, revenues, or condition of the Bank or on the Bank's ability duly to perform and observe its obligations under the Memorandum of Understanding or any Separate Agreement.

(K) It is not necessary or advisable in order to ensure the legality, validity, enforceability, or admissibility in evidence

of the Memorandum of Understanding or any Separate Agreement in Mexico that the Memorandum of Understanding or any Separate Agreement or any other document be filed, recorded, registered, or enrolled with any court or authority in Mexico or that any stamp, registration, or similar tax be paid on or in relation to the same.

Sincerely,

[Lic. Francisco Borjas Martinez
Deputy Director General
Banco de Mexico]

SCHEDULE G
Legal Opinion of the Fiscal Attorney of the UMS

[Date]

Board of Governors of the Federal
Reserve System
Federal Reserve Bank of New York
United States Department of the Treasury

Gentlemen:

I, as Fiscal Attorney of the Federation of the United Mexican States, and as counsel to the Ministry of Finance and Public Credit of Mexico, and at your request, render this opinion in connection with the implementation of the provisions of paragraphs 9 and 10 of the Memorandum of Understanding (the "Memorandum of Understanding"), dated March 22, 1990, among the Banco de Mexico and the United States Monetary Authorities and each Separate Agreement referred to therein. Capitalized terms used herein without definition have the respective meanings specified in the Memorandum of Understanding.

I have examined, inter alia, the following:

- (1) The General Public Debt Law, the Monetary Law, the Code of Commerce, and the Organic Law of the Public Administration of Mexico, and the Organic Law of the Banco de Mexico;
- (2) Evidence that there have been granted all appropriate

authorizations, approvals, licenses, and consents which may be necessary to authorize the Federal Government of Mexico (the "Federal Government) to perform all actions necessary on its part to implement the provisions of paragraphs 9 and 10 of the Memorandum of Understanding, and that the same are in full force and effect;

(3) All such other laws, regulations, and documents as I have considered necessary or desirable for the purpose of giving this opinion.

In addition, I have made such other investigations as I have considered appropriate for the purpose of giving this opinion.

Based upon such examination, I am of the following opinion:

(a) The Ministry of Finance and Public Credit of Mexico (i) is empowered to give the irrevocable instructions with respect to purchases by the United Mexican States under the Extended Fund Facility and any other purchases from the International Monetary Fund and the disbursements of the proceeds of certain loans from the World Bank contemplated by paragraph 9 of the Memorandum of Understanding and by each Separate Agreement, and (ii) has duly given such instructions.

(b) (i) All acts and conditions required to be done, performed and to have occurred prior to, and all consents, approvals, exemptions and other requirements of governmental,

public and other bodies and authorities required for or in connection with, the execution and performance of the transactions described in paragraph (a) have been done, performed, and occurred in due and strict compliance with the laws of the United Mexican States and any applicable Mexican regulation or regulatory requirement, and are in full force and effect.

(ii) No consents, licenses, approvals, or authorizations of or declarations to governmental authorities or agencies are required other than those already obtained to implement and make effective the arrangements contemplated by paragraph 10 of the Memorandum of Understanding.

(c) The performance by the Federal Government of the transactions described in paragraph (a) has been duly authorized and does not and will not violate any provisions of any law, rule, regulation, order, judgment, injunction, decree, resolution, determination, or award of any court or any judicial, administrative, or governmental authority or organization having applicability to the Federal Government.

(d) The officials of the Federal Government executing and performing the transactions described in paragraph (a), and all notices and other documents required for their performance or related thereto, are and will be fully authorized to execute the same for and on behalf of the Federal Government.

(e) No litigation or administrative or arbitration proceedings before or of any court, tribunal, arbitrator, or governmental or public authority is presently in process, pending, or, to the best of my knowledge, threatened against the Federal Government or any of its property, assets, or revenues, which would materially affect the Federal Government, and there is not in existence or likely to occur any litigation or administrative or arbitration proceedings of any kind which might have a material adverse effect on the property, assets, revenues, or condition of the Federal Government or the Federal Government's ability to perform the transactions described in paragraph (a).

Yours faithfully,

[Lic. Roberto Hoyo D'Adona
Procurador Fiscal de la Federacion]

SCHEDULE H

Legal Opinion of the Chief Counsel of Pemex

[Date]

Board of Governors of the Federal Reserve System
Federal Reserve Bank of New York
United States Department of the Treasury

Gentlemen:

I am the Chief Counsel of Petroleos Mexicanos ("Pemex"), and have acted in such capacity in connection with the execution and delivery by Pemex of its undertaking (the "Undertaking") to the Federal Reserve Bank of New York, dated March 22, 1990, a copy of which is attached to this opinion.

I have examined the assignment agreements (the "Agreements") between Pemex and P.M.I. Comercio Internacional, S.A. de C.V. ("PMI") by which PMI has acquired all rights and obligations under the supply contracts for the purchase of crude oil (the "Contracts") between Pemex and the purchasers listed in Annex I to the Undertaking; such Contracts; the documents evidencing the legal existence, organization and incorporation of PMI, as well as the documents related to the Undertaking, including the documents evidencing the instructions by PMI required under paragraphs (1) and (4) of the Undertaking (the "Instructions"), that may be required from Pemex from time to time pursuant to the Undertaking,

as I have considered necessary or desirable for the purposes of rendering this opinion.

Having considered the above documents and having regard to the relevant laws of the United Mexican States (the "Republic"), I am pleased to advise you that in my opinion:

I. (A) Pemex is a decentralized public agency of the Federal Government of the Republic, duly organized and validly existing under the laws of the Republic, and is fully qualified and empowered to own its assets and carry on business in each jurisdiction in which it owns assets or carries on business. Pemex has full power to organize and act as shareholder of corporations such as PMI.

(B) PMI is a duly organized and validly existing subsidiary of Pemex, which Pemex as majority stockholder controls.

(C) Pemex has validly assigned to PMI all rights and obligations under the Contracts.

(D) Pemex has power to enter into, undertake and perform its obligations set forth in the Undertaking, including entering into any contracts for the sale or purchase of oil and giving the instructions required by such Undertaking, and has taken all

necessary corporate action to authorize the execution and performance of such obligations upon the terms and conditions of the Undertaking.

(E) No consents, licenses, approvals or authorizations of or declarations to governmental authorities or agencies are required for Pemex to acquire any right under the Contracts previously assigned.

(F) The officers of Pemex who executed the Agreements were at the time of the execution thereof, and the officers of Pemex executing the Undertaking and the Instructions and all documents related thereto are, have been and will be fully authorized to execute the same for and on behalf of Pemex.

(G) The obligations of Pemex under the Undertaking constitute valid, direct, and binding obligations of Pemex enforceable in accordance with the terms thereof.

(H) The execution and performance of the Agreements and the Undertaking and the issuance and delivery from time to time, of the Instructions and of any other documents to be executed and delivered by Pemex in connection with the foregoing therewith (I) do not and will not violate or exceed the powers granted to Pemex by, or contravene any provisions of, any applicable law, regulation, or decree of any governmental agency to which Pemex is

subject; (II) will not violate or exceed the powers granted to Pemex by or contravene any provisions of the "Ley Organica" or any regulation made thereunder relating to Pemex; (III) will be fully consistent with all covenants in all agreements to which Pemex is a party, including all "negative pledge" covenants; and (IV) will not violate or exceed the powers granted to Pemex by or contravene any provision of any security, guarantee, or agreement to which Pemex is a party or which is binding upon it or any of its assets, or cause any security to arise over to all or any part of Pemex assets, or oblige Pemex to create any such security.

II. (A) It is not necessary to ensure the legality, validity, enforceability, or admissibility in evidence of the Agreements, the Undertaking, the Instructions, or any documents relating thereto that any of them be filed, recorded, or enrolled with any governmental authority or agency of or in the Republic or that any of them be stamped with any stamp, registration, or similar transaction tax in the Republic.

(B) No consents, licenses, approvals, or authorizations of or declarations to governmental authorities or agencies are required other than those already obtained to make the Agreements, the Undertaking, or documents evidencing the Instructions legal, valid, and enforceable or admissible in evidence.

(C) There is no litigation or administrative or arbitration

proceedings of or before any court or governmental authority or agency or tribunal pending (or to my knowledge threatened) to enjoin or restrain the execution or performance by Pemex of the Agreements, the Undertaking, or the Instructions or in any manner to question the laws and proceedings under which the Agreements, the Undertaking, or the Instructions have been or are to be executed, performed, or enforced, and none of the said laws and proceedings have been repealed, revoked, or rescinded in whole or in part.

(D) No litigation or administrative or arbitration proceeding before or of any court or governmental authority or agency or tribunal is presently pending (or to my knowledge threatened) against Pemex or any of the assets of Pemex, which would or might have a material adverse effect on its business, assets, or financial conditions.

Sincerely,

SCHEDULE I

Legal Opinion of the Chief Counsel of P.M.I. Comercio
Internacional, S.A. de C.V.

[Date]

Board of Governors of the Federal Reserve System
Federal Reserve Bank of New York
United States Department of the Treasury

Gentlemen:

I am the Chief Counsel of P.M.I. Comercio Internacional, S.A. de C. V. ("PMI") and have acted in such capacity in connection with the execution and delivery by PMI of its undertaking (the "Undertaking") to the Federal Reserve Bank of New York, dated March 22, 1990, a copy of which is attached to this opinion.

I have examined the supply contracts for the purchase of crude oil (the "Contracts") between Petroleos Mexicanos ("Pemex") and the purchasers listed in Annex 1 to the Undertaking, the assignment agreements by which PMI has acquired from Pemex all rights and obligations under the Contracts (the "Agreements"), as well as the documents evidencing the instructions by PMI required under paragraphs (1) and (4) of the Undertaking (the "Instructions") and such other documents as I have considered necessary or desirable for the purposes of rendering this opinion.

Having considered the above documents and having regard to the relevant laws of the United Mexican States (the "Republic"), I am pleased to advise you that in my opinion:

I. (A) PMI is a corporation duly organized and validly existing under the laws of the Republic, and is fully qualified and empowered to own its assets and carry on business in each jurisdiction in which it owns assets or carries on business. PMI is a majority-owned subsidiary of Pemex.

(B) PMI has validly acquired and succeeded to all the rights and obligations of Pemex under the Contracts pursuant to the Agreements.

(C) PMI has power to enter into, and undertake and perform, its obligations under the Contracts, the Agreements and the Undertaking and to give the Instructions, and has taken all necessary corporate action to authorize the Undertaking and performance of such obligations upon the terms and conditions of the Contracts, the Agreements and the Undertaking and to authorize the delivery of the Instructions.

(D) The officers of PMI who executed the Agreements were at the time of the execution thereof, and the officers of PMI executing the Undertaking and the Instructions and all documents related thereto are, have been and will be fully authorized to execute the same for and on behalf of PMI.

(E) The obligations of PMI under the respective Contracts constitute legal, valid, direct, and binding obligations of PMI enforceable in accordance with the terms thereof.

(F) The obligations of PMI in respect to the Undertaking constitute valid, direct, and binding obligations of PMI enforceable in accordance with the terms thereof.

(G) The execution and performance of the Contracts and the Undertaking and the issuance and delivery of the Instructions and of any other documents to be executed and delivered by PMI in connection with the foregoing therewith (I) do not and will not violate or exceed the powers granted to PMI or contravene any provisions of, any applicable law, regulation, or decree of any governmental agency to which PMI is subject; (II) will be fully consistent with the bylaws of PMI and all covenants in all agreements to which PMI is a party, including all "negative pledge" covenants, and (III) will not violate or exceed the powers granted to PMI by or contravene any provisions of any security, guarantee, or agreement to which PMI is a party or which is binding upon it or any of its assets, or cause any security to arise over or attach to all or any part of PMI's assets, or oblige PMI to create any such security.

II. (A) It is not necessary to ensure the legality, validity, enforceability, or admissibility in evidence of any of the Contracts, the Agreements, the Undertaking, the Instructions, or any documents relating thereto that any of them be filed, recorded, or enrolled with any governmental authority or agency of or in the Republic or that any of them be stamped with any stamp, registration or similar transaction tax in the Republic.

(B) No consents, licenses, approvals, or authorizations of or declarations to governmental authorities or agencies are required other than those already obtained to make any of the Contracts, the Agreements, the Undertaking, or documents evidencing the Instructions legal, valid, and enforceable or admissible in evidence.

(C) There is no litigation or administrative or arbitration proceedings of or before any court or governmental authority or agency or tribunal pending (or to my knowledge threatened) to enjoin or restrain the execution or performance by PMI of any of the Contracts, the Agreements, the Undertaking, or the Instructions or in any manner to question the laws and proceedings under which any of the Contracts, the Agreements, the Undertaking, or the

Instructions has been or are to be executed, performed, or enforced, and none of the said laws and proceedings have been repealed, revoked, or rescinded in whole or in part.

(D) No litigation or administrative or arbitration proceeding before or of any court of governmental authority or agency or tribunal is presently pending (or to my knowledge threatened) against PMI or any of PMI's assets, which would or might have a material adverse effect on its business, assets, or financial conditions.

Sincerely,

[Chief Counsel of P.M.I., Comercio Internacional S.A. de C.V.]

SCHEDULE J
Legal Opinion of Special New York Counsel
to UMS, Banco de Mexico, Pemex and PMI

[Date]

Board of Governors of the Federal
Reserve System
Federal Reserve Bank of New York
United States Department of the Treasury

Dear Sirs:

We have acted as special New York counsel for the United Mexican States, Banco de Mexico, Petroleos Mexicanos ("Pemex"), and P.M.I. Comercio Internacional, S.A. de C.V. ("PMI"), in connection with the Memorandum of Understanding (the "Memorandum of Understanding") dated March 22, 1990, between Banco de Mexico and the United States Monetary Authorities, and the two Separate Agreements (the "Separate Agreements") entered into by Banco de Mexico with the United States Monetary Authorities.

In arriving at the opinion expressed below, we have examined and relied on copies of (i) the Memorandum of Understanding and each of the Separate Agreements, (ii) the letter dated [March __, 1990], from Nacional Financiera, S.N.C.; Banco Nacional de Comercio Exterior, S.N.C.; and Banco Nacional de

Obras y Servicios Publicos, S.N.C. (the "World Bank Borrowers") to the International Bank for Reconstruction and Development as contemplated by paragraph 9(iii) of the Memorandum of Understanding (the "World Bank Instructions"), (iii) the letter dated [March __, 1990], from the United Mexican States and the Central Bank of Mexico to the International Monetary Fund contemplated by paragraph 9(ii) of the Memorandum of Understanding ("the Fund Instructions"), (iv) the 1989-92 New Money Credit Agreement and the New Money Bond Subscription Agreement, each dated as of February 4, 1990 among the United Mexican States, Citibank, N.A., as agent and others named therein, and the Fiscal Agency Agreement to be entered into and the Floating Rate Bonds Due 2005 to be issued pursuant thereto, the Onlending and Trade Credit Agreement dated as of February 4, 1990 among Fideicomiso para la Administracion de Financiamientos Externos, the United Mexican States, Citibank, N.A., as agent and the other parties named therein (the "1989-92 New Money Agreements"), the Credit Agreements dated as of March 3, 1983, and April 27, 1984, as amended, with the United Mexican States, as borrower, under which the United Mexican States borrowed U.S. \$5 billion and U.S. \$3.8 billion, respectively, and the Multi-Facility Agreement dated as of March 20, 1987, under which the United Mexican States borrowed U.S. \$5 billion and certain other kinds of financing (the "New Money Agreements"), and the Combined Old New Money Agreement and the Combined Facilities 2

and 3 Agreement, each dated as of February 4, 1990 among the United Mexican States, Citibank, as agent and the other parties named therein (the "Combined Old New Money Agreements"), (v) the Restructure Agreements for the United Mexican States and other Mexican public sector obligors, as amended by the Amendment to Restructure Agreements dated as of March 29, 1985, and the 1987 Amendment to 52 Restructure Agreements and 35 Restructure Agreements dated as of March 20, 1987 (the "Restructure Agreements"), and each Combined Multi-Year Restructure Agreement, dated as of February 4, 1990 for the United Mexican States and other Mexican Public Sector Obligors (the "Combined MYRAs"), (vi) the New Restructure Agreements dated as of August 29, 1985, for the United Mexican States and other Mexican public sector obligors, as amended by the 1987 Amendment to Restructure Agreements (the "New Restructure Agreements"), (vii) the Discount and Par Bond Exchange Agreement dated as of February 4, 1990 among the United Mexican States, Citibank, N.A., as agent and the other parties named therein, the Fiscal Agency Agreement and the Collateral Pledge Agreement to be entered into pursuant thereto, and each series of Discount Bonds and Par Bonds to be issued pursuant thereto (the "1989-92 Exchange Agreements"), and (viii) the FICORCA Facility Agreement dated as of August 14, 1987 (the "FICORCA Facility Agreement"). Banco de Mexico has advised us that it is not a party to any agreement with persons outside of the United Mexican States from which it has contracted to borrow

funds denominated in a currency other than Mexican pesos, other than the Memorandum of Understanding, the Separate Agreements, certain agreements with central banks entered into in the ordinary course, and short-term trade lines to finance imports by Banco de Mexico for its own account in the ordinary course. We have not, therefore, examined any agreements to which Banco de Mexico is a party other than those described in clauses (i) and (iv) through (viii) above.

Pemex and PMI have advised us that the transfer of foreign exchange from Pemex and/or PMI to Banco de Mexico contemplated by paragraphs (10) and (11) of the Memorandum of Understanding is in accordance with existing Mexican law and practice.

We have also examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, certificates, governmental records, and other instruments, and we have made such investigations of law, as we have deemed appropriate as a basis for this opinion.

Based on the foregoing, we are of the opinion that the execution and delivery by Banco de Mexico of the Memorandum of Understanding and the Separate Agreements and the performance of its obligations thereunder, the delivery of the World Bank Instructions and the Fund Instructions, the performance by the United Mexican States of the obligations contemplated to be performed by it under the Memorandum of Understanding and the Separate Agreements, and the performance by Pemex and PMI of the

obligations contemplated to be performed by them under the Memorandum of Understanding will not violate any provision of the New Money Agreements, the Restructure Agreements, the New Restructure Agreements, the 1989-92 New Money Agreements, the Combined Old New Money Agreements, the Combined MYRAs, the 1989-92 Exchange Agreements, or the FICORCA Facility Agreement.

We express no opinion other than as to the laws of the State of New York.

This opinion is given solely for your benefit and is not to be used, circulated, quoted, or otherwise referred to for any other purpose, except that you may furnish a copy of this opinion to FRBNY and FRBNY may rely upon this opinion.

Yours very truly,

CLEARY, GOTTLIEB, STEEN & HAMILTON

By _____
[Mark A. Walker, a Partner]

SCHEDULE K

WORLD BANK LETTER WITH RESPECT TO REDEMPTIONS

[Date]

Board of Governors of the Federal
Reserve System
United States Department of the Treasury

Dear Sirs:

This is to confirm that as of this date none of the World Bank loans listed in Attachment 1 hereto has been suspended by reason of default by the respective borrower or guarantor with respect to any obligation to the World Bank thereunder; and all of the policy-based World Bank loans listed in Attachment 1 (the "World Bank Policy Loans") [, except for the Transport and Telecommunications Sector Loan and the Export Sector Adjustment Loan,]^{1/} have become effective; [and, with respect to the Transmission/Distribution Loan, {management of the World Bank has circulated to the Executive Directors of the World Bank a "status of negotiations" notice indicating that negotiations have been (substantially) completed and loan documents will be submitted to the Executive Directors on a date to be determined.} {the President of the World Bank has recommended to the Executive Directors of the World Bank that the Executive Directors approve this loan and the Executive Directors are scheduled to consider this loan on [_____, 1990].}]^{2/} [and, with respect to the Transport and Telecommunication Loan, {management of the World Bank has circulated to the Executive Directors of the World Bank a "status of negotiations" notice indicating that negotiations have been (substantially) completed and loan documents will be submitted to the Executive Directors on a date to be determined.} {the President of the World Bank has recommended to the Executive

^{1/}Bracketed language to be revised as appropriate to reflect circumstances existing at the time of the letter.

^{2/}The language for the Transmission/Distribution Loan would appear in the letter provided in connection with the First Redemption, and the World Bank would use that alternative which most accurately described the state of that project as of the date of that letter.

Directors of ~~The~~ World Bank that the Executive Directors approve this loan and the Executive Directors are scheduled to consider this loan on [_____, 1990.]]^{3/}

The respective borrowers under the World Bank Policy Loans have submitted withdrawal applications during the period beginning on [April __, 1990] and ending on the date of this letter requesting reimbursement for import invoices in an aggregate amount equivalent to U.S. \$ _____. Such borrowers have informed the World Bank that they expect to submit additional withdrawal applications for loan proceeds under the World Bank Policy Loans in an aggregate amount equivalent to approximately U.S. \$ _____ requesting reimbursement for import invoices so as to enable them to withdraw loan proceeds in such amount on or prior to August 31, 1990. The borrowers' expectation appears to be reasonable, subject to submission in a timely manner of all documentation required by the loan agreements for withdrawal of such proceeds [and subject, in the case of the Transport and Telecommunications Sector Loan and the Export Sector Adjustment Loan, to satisfaction of all conditions precedent for disbursement of such loans and, in the case of the Fertilizer Sector Loan, to satisfaction of all conditions for disbursement of the second tranche of that loan.]^{1/}

The statements contained in this letter are not to be construed as a waiver of any rights which the World Bank may have under the loan, project or guarantee agreements relating to the loans or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

Very truly yours,

Director, Country Department II
Latin America and the Caribbean Regional Office

Attachment

cc: The Federal Reserve Bank of New York

^{3/}The language for the Transportation and Telecommunication Loan would appear in the letter provided in connection with the Second Redemption, and the World Bank would use that alternative which most accurately described the state of that project as of the date of that letter.

Attachment 1
World Bank Loans

<u>Policy-Based Loans</u>	<u>Loan No.</u>
Financial Sector Adjustment Loan	3085
Steel Sector Restructuring Loan	2916
Fertilizer Sector Loan	2919
Transport and Telecommunications Sector Loan	
Export Sector Adjustment Loan	
<u>Project Loans</u>	
Industrial Restr.	3047
Housing Finance	2947
Highways Sector II	2428
Hydroelect. Dev.	3083
2nd Agri. Marketing	3141
Railways V	2575
2nd Low-inc. Housing	3140
Port Rehab.	2946
Sm./Med. Ind. IV	2858
Industrial Recovery	2746
Earthquake Rehab.	2665
Export Dev.	2777
Highway Maint.	2875
Rio Fuerte	1706
Apatzingan	1858
Chiapas Agric.	2526
Proderith II	2658
Agric. Credit (FIRA)	2837
Agric. Extension	2859
Forestry Dev.	3115
Sm/Med. Mining	2546
TPL I	2745
Tech. Dev.	2747
Sinaloa Water	2281
Lazaro Cardenas Ports	2450
Low Inc. Housing	2612
Municipal Streng.	2666
Solid Waste	2669
Urban Transport	2824
Water/Women Dev.	3101
Vocational Educat.	2559
Manpower Educat.	2876
Transmission/Distrib.	

SCHEDULE L

BANCO DE MEXICO LETTER TO UNITED STATES MONETARY AUTHORITIES
WITH RESPECT TO FIRST REDEMPTION

[Date]

Board of Governors of the
Federal Reserve System
United States Department of the Treasury

Re: First Redemption of Certificates and World Bank
Loan Disbursements

Dear Sirs:

We request the redemption of certain United States Treasury Certificates of Indebtedness (the "Certificates"), issued to us and held in our custody account at the Federal Reserve Bank of New York (the "FRBNY") (such Certificates being the Certificates referred to in the Memorandum of Understanding, dated March 22, 1990), in an amount equal to [U.S. \$150 million less the difference, if any, between the aggregate amount of World Bank loan proceeds identified to you in our letter in the form of Schedule E and the aggregate amount of World Bank loan proceeds identified below].

We hereby inform you that we expect the respective Mexican public sector borrowers to submit or have submitted withdrawal applications for loan proceeds under the policy-based World Bank loans listed in Attachment 1 (the "World Bank Policy Loans") for the period beginning on [April __, 1990] and ending on August 31, 1990 in an aggregate amount equivalent to approximately U.S. \$ _____ requesting reimbursement for import invoices.

We also expect the respective Mexican public sector borrowers to submit or have submitted withdrawal applications for loan proceeds under the World Bank project loans listed in Attachment 1 (the "World Bank Project Loans") and World Bank Policy Loans for the period beginning on [April __, 1990] and ending on August 31, 1990 in an aggregate amount equivalent to approximately U.S. \$ _____ requesting reimbursement for expenditures incurred in or during the execution of the projects or programs financed under such World Bank Project Loans and World Bank Policy Loans.

We are providing copies of our letter to you to the World Bank and the Federal Reserve Bank of New York.

Very truly yours,

BANCO DE MEXICO

By _____

Confirmation by the United Mexican States
as Guarantor under the World Bank loans:

By _____

Attachment

Attachment 1
World Bank Loans

<u>Policy-Based Loans</u>	<u>Loan No.</u>
Financial Sector Adjustment Loan	3085
Steel Sector Restructuring Loan	2916
Fertilizer Sector Loan	2919
Transport and Telecommunications Sector Loan	
Export Sector Adjustment Loan	
<u>Project Loans</u>	
Industrial Restr.	3047
Housing Finance	2947
Highways Sector II	2428
Hydroelect. Dev.	3083
2nd Agri. Marketing	3141
Railways V	2575
2nd Low-inc. Housing	3140
Port Rehab.	2946
Sm./Med. Ind. IV	2858
Industrial Recovery	2746
Earthquake Rehab.	2665
Export Dev.	2777
Highway Maint.	2875
Rio Fuerte	1706
Apatzingan	1858
Chiapas Agric.	2526
Proderith II	2658
Agric. Credit (FIRA)	2837
Agric. Extension	2859
Forestry Dev.	3115
Sm/Med. Mining	2546
TPL I	2745
Tech. Dev.	2747
Sinaloa Water	2281
Lazaro Cardenas Ports	2450
Low Inc. Housing	2612
Municipal Streng.	2666
Solid Waste	2669
Urban Transport	2824
Water/Women Dev.	3101
Vocational Educat.	2559
Manpower Educat.	2876
Transmission/Distrib.	

SCHEDULE M

BANCO DE MEXICO LETTER TO UNITED STATES MONETARY AUTHORITIES
WITH RESPECT TO SECOND REDEMPTION

[Date]

Board of Governors of the
Federal Reserve System
United States Department of the Treasury

Re: Second Redemption of Certificates and World Bank
Loan Disbursements

Dear Sirs:

We request the redemption of certain United States Treasury Certificates of Indebtedness (the "Certificates"), issued to us and held in our custody account at the Federal Reserve Bank of New York (the "FRBNY") (such Certificates being the Certificates referred to in the Memorandum of Understanding, dated March 22, 1990), in an amount equal to [U.S. \$200 million less the difference, if any, between the aggregate amount of World Bank loan proceeds identified to you in our letter in the form of Schedule L and the aggregate amount of World Bank loan proceeds identified below].

We hereby inform you that we expect the respective Mexican public sector borrowers to submit or have submitted withdrawal applications for loan proceeds under the policy-based World Bank loans listed in Attachment 1 (the "World Bank Policy Loans") for the period beginning on [April __, 1990] and ending on August 31, 1990 in an aggregate amount equivalent to approximately U.S. \$ _____ requesting reimbursement for import invoices.

We also expect the respective Mexican public sector borrowers to submit or have submitted withdrawal applications for loan proceeds under the World Bank project loans listed in Attachment 1 (the "World Bank Project Loans") and World Bank Policy Loans for the period beginning on [April __, 1990] and ending on August 31, 1990 in an aggregate amount equivalent to approximately U.S. \$ _____ requesting reimbursement for expenditures incurred in or during the execution of the projects or programs financed under such World Bank Project Loans and World Bank Policy Loans.

We are providing copies of our letter to you to the World Bank and the Federal Reserve Bank of New York.

Very truly yours,

BANCO DE MEXICO

By _____

Confirmation by the United Mexican States
as Guarantor under the World Bank loans:

By _____

Attachment

Attachment 1
World Bank Loans

<u>Policy-Based Loans</u>	<u>Loan No.</u>
Financial Sector Adjustment Loan	3085
Steel Sector Restructuring Loan	2916
Fertilizer Sector Loan	2919
Transport and Telecommunications Sector Loan	
Export Sector Adjustment Loan	

<u>Project Loans</u>	
Industrial Restr.	3047
Housing Finance	2947
Highways Sector II	2428
Hydroelect. Dev.	3083
2nd Agri. Marketing	3141
Railways V	2575
2nd Low-inc. Housing	3140
Port Rehab.	2946
Sm./Med. Ind. IV	2858
Industrial Recovery	2746
Earthquake Rehab.	2665
Export Dev.	2777
Highway Maint.	2875
Rio Fuerte	1706
Apatzingan	1858
Chiapas Agric.	2526
Proderith II	2658
Agric. Credit (FIRA)	2837
Agric. Extension	2859
Forestry Dev.	3115
Sm/Med. Mining	2546
TPL I	2745
Tech. Dev.	2747
Sinaloa Water	2281
Lazaro Cardenas Ports	2450
Low Inc. Housing	2612
Municipal Streng.	2666
Solid Waste	2669
Urban Transport	2824
Water/Women Dev.	3101
Vocational Educat.	2559
Manpower Educat.	2876
Transmission/Distrib.	

SCHEDULE N

LETTER FROM THE MANAGING DIRECTOR OF THE FUND
WITH RESPECT TO THIRD REDEMPTION

[Date]

Board of Governors of the
Federal Reserve System

U.S. Department of the Treasury

Dear Sirs:

I wish to inform you that, under the extended arrangement for Mexico which was approved on May 26, 1989, and continues in effect, as described in my letter to you of [insert date of the letter in the form Schedule C], Mexico has made its fifth purchase. In addition, I have no reason to believe, at this date, that Mexico will be unable to meet the conditions for its sixth purchase of up to SDR 163.17 million in accordance with the provisions of that arrangement.

Sincerely yours,

Michel Camdessus
Chairman of the Executive Board
and
Managing Director

SCHEDULE O
IRREVOCABLE INSTRUCTIONS TO THE INTERNATIONAL MONETARY FUND

[Date]

The Treasurer's Department
International Monetary Fund
Washington, DC 20431

Re: Extended Fund Facility and Other Sources of IMF
Financing for Mexico

Dear Sirs:

The United Mexican States ("Mexico") hereby authorizes and instructs the International Monetary Fund (the "IMF") to arrange on Mexico's behalf that the proceeds of all purchases made by Mexico under an Extended Fund Facility (the "EFF") or any other purchases from the IMF by Mexico, be either provided in, or converted into, U.S. dollars, and deposited into the Special Funds Account (the "Special Funds Account") of the Banco de Mexico (the "Central Bank") with the Federal Reserve Bank of New York (the "FRBNY").

For your information, the Central Bank has separately given the FRBNY an irrevocable instruction that all or part of the funds deposited in the Special Funds Account will be used to repay drawings made by the Central Bank under a short-term credit facility (the "Facility") that the United States Monetary Authorities have agreed to establish for the purpose of providing near-term support for the international reserves of Mexico. The aggregate amount of drawings by the Central Bank under the Facility may amount to as much as U.S. dollars 1.3 billion. The Central Bank has committed to the United States Monetary Authorities that the instructions to the IMF shall not be revoked or modified by the Central Bank, Mexico, or any other Mexican institution until the Facility is repaid in full, including accrued and unpaid interest, and the IMF has received from the Central Bank a copy of a notification by the FRBNY to the Central Bank to that effect.

The Central Bank acknowledges that your action on this request and authorization will be taken in conformity with the relevant provisions of the EFF or any other IMF facility or arrangement made available to Mexico, and confirms that such action shall not be construed in any way as a waiver of any right which the IMF may have under the EFF or under any other IMF facility or arrangement made available to Mexico.

The Central Bank is providing a copy of the executed original of this letter to the FRBNY.

Sincerely yours,

For the United Mexican States

By _____

For the Central Bank of Mexico

By _____

SCHEDULE P
FORM OF WORLD BANK IRREVOCABLE INSTRUCTIONS

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Attention: Director, Country Department II
Latin America and the Caribbean Regional Office

Re: Loan Disbursements

Dear Sirs:

We the undersigned, Nacional Financiera, S.N.C.; Banco Nacional de Comercio Exterior, S.N.C.; and Banco Nacional de Obras y Servicios Publicos, S.N.C., refer to the loans listed in Attachment 1 hereto (the "World Bank Loans") and hereby instruct the World Bank to deposit in the Special Funds Account (the "Special Funds Account") of the Banco de Mexico (the "Central Bank") at the Federal Reserve Bank of New York (the "FRBNY"), all of the proceeds of withdrawals under each of the World Bank Loans that in each case are made or may be made by the World Bank to us for the reimbursement of expenditures incurred in or during the execution of the projects or programs financed under the World Bank Loans, if and when we become entitled to any such withdrawals under the terms and conditions of the World Bank Loans subject to the following:

(a) This instruction is applicable to proceeds of withdrawal applications under the World Bank Loans approved by the World Bank after the date of this letter until receipt by the World Bank of the notification referred to in paragraph (c) below; provided, however, that this instruction does not apply to the proceeds of such World Bank Loans allocated for support of debt reduction operations.

(b) Deposits in the Special Funds Account shall be made in United States dollars. For this purpose, the World Bank is hereby instructed to use the proceeds of any such withdrawals under the World Bank Loans to purchase dollars under such terms and conditions as the World Bank shall determine.

(c) The Central Bank and the United Mexican States have agreed with the United States Monetary Authorities that this instruction, which has as its objective putting in place administrative arrangements to provide for the fulfillment of the obligations of the Central Bank and the United Mexican States under an agreement with the United States Monetary Authorities, shall be irrevocable until the World Bank receives from the Central Bank a copy of the notification from the FRBNY to the

Central Bank to the effect that the instruction to make deposits to the Special Funds Account may be terminated.

We are not aware of any third party claims upon the proceeds of the World Bank Loans to be deposited in the Special Funds Account.

We acknowledge that your action on this instruction will be taken in conformity with the relevant provisions of the respective loan, guarantee and project agreements for the World Bank Loans, and such action shall not be construed in any way as a waiver of any right which the World Bank may have under such agreements or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

We are providing copies of our letter to you and your reply to the FRBNY.

Sincerely yours,

Nacional Financiera, S.N.C.

By: _____

Banco Nacional de Comercio Exterior, S.N.C.

By: _____

Banco Nacional de Obras y Servicios Públicos, S.N.C.

By: _____

Confirmation by
the United Mexican States
as Guarantor under the
World Bank Loans

By: _____

Confirmed by:

BANCO DE MEXICO

By: _____

**ATTACHMENT 1
WORLD BANK LOANS**

<u>Loan Name</u>	<u>Loan No.</u>	<u>Expected Amounts of Proceeds by Date */</u>		
		(in millions of dollars)		
		<u>4/30/90</u>	<u>5/31/90</u>	<u>8/31/90</u>
<u>Policy-Based Loans</u>				
Financial Sector Adjustment Loan	3085	3	4	3
Steel Sector Restructuring Loan	2916	5	5	30
Fertilizer Sector Loan	2919	5	0	55
Transport and Telecommunications Sector Loan		0	0	190
Export Sector Adjustment Loan		0	0	30
<u>Project Loans</u>				
Industrial Restr.	3047	10	5	20
Housing Finance	2947	15	10	30
Highways Sector II	2428	5	0	15
Hydroelect. Dev.	3083	0	0	15
2nd Agri. Marketing	3141	5	0	10
Railways V	2575	0	2.5	7.5
2nd Low-inc. Housing	3140	0	0	50
Port Rehab.	2946	0	6	5

*/The amounts expected under the policy-based and project loans include only those disbursements in reimbursement of expenditures incurred in or during the execution of the projects or programs financed under the loans from the World Bank.

<u>Loan Name</u>	<u>Loan No.</u>	<u>Expected Amounts of Proceeds by Date */</u>		
		<u>4/30/90</u>	<u>5/31/90</u>	<u>8/31/90</u>
		(in millions of dollars)		
Sm./Med. Ind. IV	2858	1	2	7
Industrial Recovery	2746	1	2	5
Earthquake Rehab.	2665	1	2	3
Export Dev.	2777	1	1	2
Highway Maint.	2875	0.5	0.5	2
Transmission/Distrib.		0	0	50
Rio Fuerte	1706	0.5	0.5	3
Apatzingan	1858	0.5	0.5	6
Chiapas Agric.	2526	0.5	0	3.5
Proderith II	2658	0	0.5	3.5
Agric. Credit (FIRA)	2837	0.5	1	2.6
Agric. Extension	2859	0.5	0.5	3
Forestry Dev.	3115	0.5	0.5	3
Sm/Med. Mining	2546	1.5	1.5	3
TPL I	2745	0.5	0.25	1.25
Tech. Dev.	2747	1	0.5	2.5
Sinaloa Water	2281	1	1	0.5
Lazaro Cardenas Ports	2450	1	1	2
Low Inc. Housing	2612	1	0.2	0.1
Municipal Streng.	2666	0.5	0.5	3
Solid Waste	2669	0.5	0.5	2
Urban Transport	2824	0.5	0.5	2.5

Water/Women Dev.	3101	0	0	2.5
Vocational Educat.	2559	2	1.5	3.5
Manpower Educat.	2876	1	1	2.5
		<u> </u>	<u> </u>	<u> </u>
Totals		66.00	51.95	579.45

Cumulative Subtotal of All Proceeds of Policy-Based Loans 330.0

Cumulative Subtotal of All Proceeds of Project Loans 367.4

Grand Total of All Loans 697.4

SCHEDULE Q
FORM OF WORLD BANK CONFIRMATION OF IRREVOCABLE INSTRUCTIONS

Mr. Pedro Aspe Armella
Minister of Finance and Public Credit
Palacio Nacional
Mexico, D.F. 06066
Mexico

Mr. Miguel Mancera Aguayo
Director General
Banco de Mexico
5 de Mayo No 2
06059 Mexico, D.F.
Mexico

Dear Sirs:

(1) This letter acknowledges receipt of the instruction, which is in the form attached as Appendix I, from Nacional Financiera, S.N.C.; Banco Nacional de Comercio Exterior, S.N.C.; and Banco Nacional de Obras y Servicios Publicos, S.N.C. (the "Borrowers") to pay the proceeds of withdrawal applications approved after the date of this letter that are made or may be made to the Borrowers from the International Bank of Reconstruction and Development (the "World Bank") under the loans listed in Attachment 1 hereto (the "World Bank Loans") for the reimbursement of expenditures incurred in or during the execution of the projects or programs financed under the World Bank Loans, except for withdrawals under such World Bank Loans allocated for support of debt reduction operations, to the Special Funds Account (the "Special Funds Account") of the Banco de Mexico (the "Central Bank") established for this purpose at the Federal Reserve Bank of New York (the "FRBNY").

(2) We hereby confirm that, subject to prior receipt of all necessary documentation and evidence under the World Bank Loans that withdrawal requirements have been fully complied with, the World Bank will carry out the disbursement instruction referred to in paragraph (1). In this connection, we have been informed that the Central Bank and the United Mexican States have agreed with the United States Monetary Authorities that the foregoing instruction shall be irrevocable until the World Bank receives from the Central Bank a copy of a notification from the FRBNY to the Central Bank to the effect that the instruction to make deposits to the Special Funds Account may be terminated.

(3) Our action on this instruction will be taken in conformity with the relevant provisions of the respective loan, guarantee and project agreements for the World Bank Loans and shall not be construed in any way as a waiver of any right which

the World Bank may have under such agreements or under the World Bank's General Conditions Applicable to Loan and Guarantee Agreements.

(4) The World Bank is not aware of any third party claims by suppliers and contractors upon the proceeds of the World Bank Loans that are to be deposited in the Special Funds Account.

Sincerely yours,

Director, Country Department II
Latin America and the Caribbean Regional Office

cc: Nacional Financiera, S.N.C.
Banco Nacional de Comercio Exterior, S.N.C.
Banco Nacional de Obras y Servicios Publicos, S.N.C.

Attachment 1
World Bank Loans

<u>Policy-Based Loans</u>	<u>Loan No.</u>
Financial Sector Adjustment Loan	3085
Steel Sector Restructuring Loan	2916
Fertilizer Sector Loan	2919
Transport and Telecommunications Sector Loan	
Export Sector Adjustment Loan	
 <u>Project Loans</u>	
Industrial Restr.	3047
Housing Finance	2947
Highways Sector II	2428
Hydroelect. Dev.	3083
2nd Agri. Marketing	3141
Railways V	2575
2nd Low-inc. Housing	3140
Port Rehab.	2946
Sm./Med. Ind. IV	2858
Industrial Recovery	2746
Earthquake Rehab.	2665
Export Dev.	2777
Highway Maint.	2875
Rio Fuerte	1706
Apatzingan	1858
Chiapas Agric.	2526
Proderith II	2658
Agric. Credit (FIRA)	2837
Agric. Extension	2859
Forestry Dev.	3115
Sm/Med. Mining	2546
TPL I	2745
Tech. Dev.	2747
Sinaloa Water	2281
Lazaro Cardenas Ports	2450
Low Inc. Housing	2612
Municipal Streng.	2666
Solid Waste	2669
Urban Transport	2824
Water/Women Dev.	3101
Vocational Educat.	2559
Manpower Educat.	2876
Transmission/Distrib.	

SCHEDULE R

FORM OF PEMEX AND PMI UNDERTAKINGS

[Date]

Federal Reserve Bank of New York
New York, New York

Dear Sirs:

At the request of the Banco de Mexico and Petroleos Mexicanos ("PEMEX") in consideration of obligations undertaken in our favor by those institutions and recognizing that PEMEX has assigned to us all the rights and obligations under the supply contracts for the purchase of crude oil (the "Contracts") between PEMEX and the purchasers listed in Annex 1 hereto, that the United States Monetary Authorities have established a short-term credit facility in favor of the Banco de Mexico (the "Facility") in reliance in part on our undertakings contained herein, and that the Federal Reserve Bank of New York ("FRBNY") is acting on behalf of the United States Monetary Authorities, we hereby unconditionally and irrevocably agree as follows:

(1) We have instructed our customers listed in Annex I hereto to make all payments for the purchase from us of crude oil to Swiss Bank Corporation ("SBC"), New York Branch, for our account. All such payments due on and after September 15, 1990 up to an aggregate amount of U.S. \$1.3 billion, are hereafter called the "Payments." All our invoices rendered with respect to the Payments shall be accompanied by a letter reiterating such instructions and such instructions shall be unconditional and irrevocable.

(2) We shall not sell or otherwise dispose of or create or permit or suffer to be created or to exist any lien, pledge, mortgage, charge or other encumbrance or security interest whatsoever on our rights to receive the Payments, or enter into any other arrangement with respect to such rights which gives any other person an interest therein, and we certify that no such encumbrance or security interest now exists with respect to our right to receive the Payments.

(3) We shall transfer the amounts received under the Payments to the Banco de Mexico and shall have no further right or title to, or interest in the specific funds so transferred.

(4) To this effect, prior to the drawing by the Banco de Mexico on the Facility, we shall execute and deliver to SBC a letter of instructions, in the form of Annex II hereto,

whereby we unconditionally and irrevocably authorize and direct SBC to credit to the account of the Banco de Mexico at SBC immediately upon the receipt thereof all the Payments remitted to SBC for our account.

(5) We shall not revoke or modify the instructions and undertakings referred to under paragraphs (1), (2), (3) and (4) above until such time as we have received, through the Banco de Mexico, the written confirmation of the FRBNY that Banco de Mexico has fulfilled all of its obligations towards the United States Monetary Authorities under the said Facility.

(6) The undertakings contained herein are made with the prior knowledge and agreement of the Government of the United Mexican States, and we hereby warrant that we have full power and authority to enter into and perform our obligations under this letter and have taken and will take all further necessary corporate and other actions to perform the commitments and agreements made in this letter.

Very truly yours,

P.M.I. COMERCIO INTERNACIONAL, S.A. DE C.V.

By _____

In the event that PEMEX, or any entity under the control of PEMEX, acquires any right in connection to the Contracts previously assigned to P.M.I. Comercio Internacional, S.A. de C.V. ("PMI"), PEMEX hereby unconditionally and irrevocably agrees to perform the above undertaking and to issue and deliver the instructions referred to in paragraphs (1) and (4) of the above undertakings of PMI and any other documents as may be required.

Agreed By:

PETROLEOS MEXICANOS

By: _____

Annex I (-Schedule S)
Annex II (-Schedule T)

SCHEDULE S (Annex I to Pemex and PMI Undertakings)

List of specified buyers of crude oil

Current Contractual Volume
(in thousands of barrels per day)

U.S.A.

Amoco	55
Chevron	137.5
Conoco	50
Marathon	60
Pecten (Shell Oil)	68

SPAIN

Interoco (CEPSA)	30
Repsol Petroleo	100
Petronor	50

FRANCE

Total International	60
---------------------	----

TOTAL

610.5

At the request of the Federal Reserve Bank of New York ("FRBNY") addressed to the Banco de Mexico, at any time, P.M.I. Comercio Internacional, S.A. de C.V. ("PMI") shall substitute for any of the buyers listed above, buyers of crude oil from PMI in the countries comprising the Group of Ten and Spain. The choice of the buyers to be substituted shall be made by PMI subject to the approval of the FRBNY as notified to the Banco de Mexico.

SCHEDULE T (Annex II to Pemex and PMI Undertakings)
FORM OF INSTRUCTIONS BY PMI TO SBC

[Date]

Swiss Bank Corporation
New York Branch
Four World Trade Center
New York, New York

Attention _____:

We hereby unconditionally and irrevocably authorize and direct you to credit to the account of Banco de Mexico with your institution, all amounts remitted to you for our account from any of the companies listed on Annex I hereto on and after September 15, 1990, up to an aggregate amount of U.S. \$1.3 billion. We shall have no further right, title or interest in the specific amounts so transferred.

We request that you advise us of all remittances received by you for our account and credited to the account of Banco de Mexico in accordance with these instructions.

We hereby confirm that these instructions may not be revoked or altered until such time as you have received a written confirmation from the Federal Reserve Bank of New York ("FRBNY") releasing you from such instructions.

Please acknowledge receipt of the foregoing instructions and confirm your consent to the procedures set forth above by signing the form of consent attached hereto as Annex II in four copies of which one should be sent to the FRBNY, to Banco de Mexico, to Petroleos Mexicanos, and the fourth to ourselves.

Very truly yours,

P.M.I. Comercio Internacional, S.A. de C.V.

By _____

Confirmed by:
Petroleos Mexicanos

By _____

Annex I: List of Buyers (=Schedule S)
Annex II: Form of Consent (= Schedule U)

SCHEDULE U

FORM OF INSTRUCTIONS FROM BANCO DE MEXICO TO SBC

[Date]

Swiss Bank Corporation
New York Branch
Four World Trade Center
New York, New York

Attention:

In accordance with instructions received by you from P.M.I. Comercio Internacional, S.A. de C.V. ("PMI"), certain specified amounts remitted to you for the account of PMI on and after September 15, 1990, up to an aggregate amount of U.S. \$1.3 billion are to be credited to our account with you. Upon receipt in such account these funds become and shall remain part of the monetary reserves held by the Banco de Mexico.

We hereby unconditionally and irrevocably authorize and direct you to transfer immediately all the above-mentioned amounts to our Special Funds Account with the Federal Reserve Bank of New York, New York ("FRBNY").

We hereby confirm that these instructions may not be revoked or altered until such time as you have received from the FRBNY a written confirmation releasing you from such instructions.

Please acknowledge receipt of the foregoing instructions and consent to the procedures set forth above by signing the form of consent attached hereto in four copies, one of which should be sent to the FRBNY, to PMI, to Petroleos Mexicanos, and the fourth to ourselves.

Very truly yours,

BANCO DE MEXICO

By _____

Confirmed by:
P.M.I. Comercio
Internacional, S.A. de C.V.

By _____

Confirmed by:
Petroleos Mexicanos

By _____

Annex: Form of Consent (Schedule V)

SCHEDULE V

FORM OF CONSENT OF SBC
[Date]

Federal Reserve Bank of New York
New York, New York

Banco de Mexico
Mexico, D.F., Mexico

P.M.I. Comercio Internacional, S.A. de C.V.
Mexico, D.F., Mexico

Petroleos Mexicanos
Mexico, D.F., Mexico

Dear Sirs:

We hereby acknowledge receipt of the unconditional and irrevocable authorization and direction from each of P.M.I. Comercio Internacional, S.A. de C.V. ("PMI") and the Banco de Mexico, instructing us (a) to credit to the account of the Banco de Mexico with us the amounts specified in Annex I to the instructions of PMI remitted to us for the account of PMI on and after September 15, 1990, up to an aggregate amount of U.S. \$1.3 billion and (b) to transfer all such amounts to the Federal Reserve Bank of New York, New York ("FRBNY") for credit to the Special Funds Account of the Banco de Mexico.

We have taken note that these instructions may not be revoked or altered until such time as we have received a written confirmation from the FRBNY releasing us from such instructions.

Recognizing that the FRBNY is acting for the United States Monetary Authorities which have established a short-term credit facility in favor of Banco de Mexico in reliance in part on our undertaking contained herein, we hereby unconditionally and irrevocably agree to comply with the above-described arrangement. As long as this arrangement remains in force, we hereby undertake not to exercise any right of set off which we may have with respect to the amounts mentioned above.

We shall advise PMI of all remittances received by us for its account and credited to the Special Funds Account of the Banco de Mexico at FRBNY.

Very truly yours,

SWISS BANK CORPORATION

By _____

[LETTERHEAD OF THE MINISTRY OF FINANCE AND PUBLIC CREDIT
OF THE UNITED MEXICAN STATES]

SCHEDULE W
LETTER FROM THE UMS TO BANCO DE MEXICO

[Date]

Banco de Mexico

Dear Sirs:

We refer to the Memorandum of Understanding dated March 22, 1990, (the "Memorandum of Understanding"), among the Banco de Mexico and the United States Monetary Authorities, and the Separate Agreements (the "Separate Agreements") under which the United States Monetary Authorities have agreed to provide near-term support for the international reserves of the United Mexican States ("UMS") in the aggregate amount of U.S. \$1,300 million. Pursuant to paragraph (13)(ii) of the Memorandum of Understanding, we hereby warrant that the UMS has agreed to take all actions, and to provide any other support, necessary to facilitate the Banco de Mexico's performance under the Memorandum of Understanding and each of the Separate Agreements.

Sincerely,

THE UNITED MEXICAN STATES

BY: _____
Minister of Finance and
Public Credit